

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 591 - SB 1106**

March 3, 2023

**SUMMARY OF BILL:** Deletes the *Alarm Contractors Licensing Act of 1991* (Act), which provides uniform procedures and qualifications throughout the state for certifying, licensing, and regulation of alarm systems contractors. Removes all licensure requirements, examination and education requirements, and disciplinary actions for licensure violations.

Authorizes counties and municipalities to offer alarm system monitoring under certain circumstances.

**FISCAL IMPACT:**

**Decrease State Revenue – \$468,300/FY23-24 and Subsequent Years/  
Detection Services Licensing Program**

**Decrease State Expenditures – \$153,400/FY23-24 and Subsequent Years/  
Detection Services Licensing Program**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 62-32-307, the Commissioner of the Department of Commerce and Insurance (DCI) is required to promulgate rules and regulations and may establish fees sufficient to pay the expenses for administering the Act.
- For a person or company to engage in the business of an alarm systems contractor:
  - The company must apply for certification and document that the applicant company has in its employ a designated qualifying agent;
  - Each qualifying agent must apply for licensure; and
  - Each employing company must register employees with access to records, diagrams, plans or other sensitive information pertaining to monitored, installed, or proposed alarm systems.
- Based on information provided by the DCI, the following certification, licensure, and registration schedule is in place:
  - Companies have an application fee of \$550 and a renewal fee of \$250;
  - Qualifying agents have an application fee of \$250 and a renewal fee of \$100;
  - Registered employees have an application fee of \$100 and a renewal fee of \$75; and
  - The renewal period is every two years.

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- Public Chapter 294 of the 112<sup>th</sup> General Assembly terminated the Board for Licensing Alarm Systems Contractors (BASC) and the State Board of Alarm Contractors Fund, and transferred all monies collected pursuant to the Act to the Detection Services Licensing Program (DSLSP).
- According to the DCI, the DSLSP incurred \$425,675 in fee revenue relative to alarm systems contractors in FY20-21 and \$510,975 in FY21-22.
- It is estimated that there will be a recurring decrease in fee revenue to the DSLSP of \$468,325  $[(\$425,675 + \$510,975) / 2 \text{ years}]$ , beginning in FY23-24.
- Examination and fingerprinting expenses are paid by the licensee to third party entities designated by the DCI, and will not result in a further decrease in revenue.
- Pursuant to Tenn. Code Ann. § 62-32-320, any person who engages in contracting without certification is subject to a Class B misdemeanor charge and civil penalty of no more than \$5,000 per violation.
- It is estimated there have not been a sufficient number of prosecutions for state or local government to see a significant decrease in revenue or expenditures due to removal of the penalty.
- Based on information provided by the DCI:
  - The DSLSP includes the following: Private Protective Services, Alarm Systems Contractors, and Private Investigations and Polygraph Examiners.
  - The 15 employees of the DSLSP are cross trained to serve the above programs.
  - The DSLSP's revenue for FY21-22 by program:
    - \$1,440,587 from Private Protective Services;
    - \$521,433 from Alarm Systems Contractors;
    - \$138,960 from Private Investigations; and
    - \$4,960 from Polygraph Examiners.
- According to the DCI, deregulation of Alarm Systems Contractors would result in staffing attrition as there would be a decline in job responsibilities. There will be a recurring decrease in state expenditures of \$153,412  $[(\$59,496 \text{ salary} + \$17,210 \text{ benefits}) \times 2 \text{ positions}]$  due to elimination of two processing roles beginning in FY23-24.
- Local governments are authorized to provide monitoring and response services to alarm systems under the Act. Re-establishing this authorization is not expected to result in any significant fiscal impact to local government.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period:
  - The BASC experienced a deficit of \$23,822 in FY20-21 and had a cumulative reserve balance of \$2,286,557 on June 30, 2021 that was transferred to the DSLSP.
  - The DSLSP experienced a surplus of \$245,747 in FY21-22 and had a cumulative reserve balance of \$2,996,724 on June 30, 2022.

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures – \$580,500/FY23-24 and Subsequent Years**

**Other Commerce Impact – Any decrease to business expenditures due to cancellation or amendment of insurance policies cannot be reasonably estimated.**

#### **Assumptions:**

- The decrease in business expenditures due to removal of certification, licensure, and registration requirements is estimated to be \$468,325 per year beginning in FY23-24.
- The proposed legislation would also remove the \$140 examination requirements for qualifying agents and the \$60 fingerprinting fee for register employees.
- Based on information provided by the DCI, there have been an average of 39 qualifying agent applications and 1,778 register employee applications over the past two fiscal years.
- The decrease in business expenditures for qualifying agents is estimated to be \$5,460 (39 qualifying agents x \$140 exam fee).
- The decrease in business expenditures for register employees is estimated to be \$106,680 (1,778 register employees x \$60 fee).
- The total recurring decrease in business expenditures is estimated to be \$580,465 (\$468,325 + \$5,460 + \$106,680), beginning in FY23-24.
- The proposed legislation will also remove the requirement for companies to have a liability insurance policy; any decrease in business expenditures would be dependent on a company canceling or amending such policy, which cannot be forecasted.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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